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DIRECTORATE OF  
INTELLIGENCE

# *Central Intelligence Bulletin*

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17 January 1968



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Approved For Release 2002/10/22 : CIA-RDP79T00975A010700120001-9

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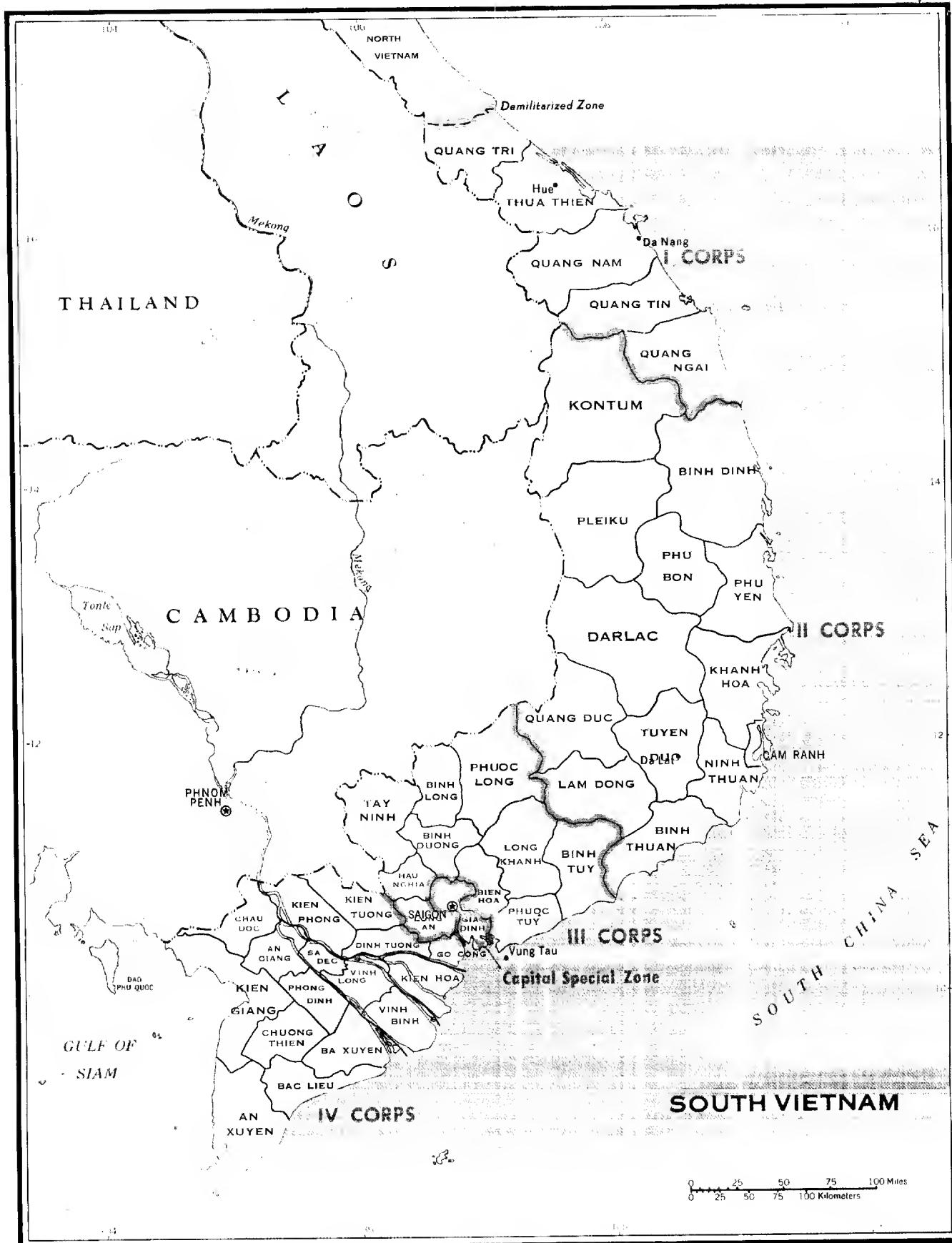
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\*South Vietnam: Union leaders have agreed to halt all sympathy strikes and return workers to their jobs today.

The agreement, hammered out late on 15 January by officials of the labor ministry and officers of the Vietnamese Confederation of Labor involves payment of a 12 percent cost of living allowance to the electrical workers, retroactive to last September. Future payment of the allowance, the major cause of the strike, has not been settled, however, and further discussions will have to be held early next month.

Still unresolved, moreover, is the fate of the six union leaders arrested on 11 January, although there are rumors that most of them will be released shortly. Failure of the government to act quickly on this matter could, according to Confederation leaders, lead to new labor trouble.

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USSR - East Europe: The Soviet leaders who were in Warsaw last weekend visited East Berlin before flying home yesterday.

It is probable that in both cases the talks touched on questions of general concern to the Communist movement in anticipation of the Communist conference scheduled for Budapest late next month. They must also have focused on more specific topics.

The recent political changes in Czechoslovakia are of special concern to the USSR, Poland and East Germany, and may indeed have been the immediate occasion for the Soviet leaders' flying visits to Warsaw and East Berlin. The East Germans are especially anxious lest these changes lead to better relations between Czechoslovakia and West Germany.

UK: [Prime Minister Wilson's announced budget cuts will cause considerable anguish but are likely to gain general public acceptance.]

[They will result in sharply reduced spending on domestic programs and on defense, including cancellation of the F-111 contract. Biggest loser in the fight over where to trim the budget appears to have been Defense Minister Healey who, with Foreign Secretary Brown's support, argued strongly for buying the F-111s and for retaining some forces in Southeast Asia and the Persian Gulf.]

[A public opinion poll published just before Wilson's statement showed that a sizable majority of the general public preferred cuts on defense spending but would accept some reduction in social welfare benefits. The East of Suez commitment and the F-111 contract have not been popular for some time.]

Guatemala: [Terrorists shot and killed two members of the US military group and wounded two others at noon yesterday in Guatemala City.]

[The chief of the military group and the head of its navy section were dead in this, the first attack on US personnel in nearly three years. The last was in February 1965 when the chief of the US army mission was fired on. On New Year's Eve, 1964, Communist terrorists blew up the USAID garage and destroyed more than 20 vehicles. No Americans were hurt in either of these attacks, however.]

[\*In addition to the shooting of the four American servicemen, there were three politically motivated assassinations in the 24 hours which ended yesterday. Another attempted assassination failed.]

[The Guatemalan Government, promising swift retaliation, has declared a state of national alert, under which all political activity is suspended, the carrying of arms prohibited and press coverage of terrorists activities restricted. Apart from official countermeasures, right-wing terror squads are likely to strike against those whom they consider "subversive."]

[Nevertheless, yesterday's attack on the Americans probably will boost the morale of the Communists who presumably directed the assassins. Communist fortunes have declined steadily since the government opened its counterinsurgency campaign over a year ago.]

[The Guatemalan example of defiance in the face of serious losses may inspire attempts at similar spectacular actions in other Latin American countries. Castro-supported guerrillas in Venezuela and Bolivia have also suffered losses in recent months.]

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Bolivia: President Barrientos' nationalistic stance appears in part to be paving the way for a cut-back in government expenditures.

Especially since his recent trip to Europe and the United States, Barrientos has been making public statements alleging that Bolivia defeated the guerrillas singlehandedly and that no one came to its assistance during the guerrilla crisis last year. He claims that for this reason his government had to buy Swiss arms.

Barrientos told his countrymen on 11 January that they must reject all forms of foreign "paternalism," whether from the US, the Soviet Union, or Europe. Foreign assistance is unreliable, he warned, and Bolivians themselves must solve their serious economic and financial problems.

Barrientos' statements undoubtedly reflect his irritation over recent press reports playing up to the US contribution to the guerrilla defeat, as well as his growing concern that Bolivia will receive little or no assistance in coping with a large budget deficit.

Barrientos may feel that by appealing to Bolivian nationalism he will solidify his position as defender of the country's national interests, and at the same time marshal public support for a much-needed austerity program.

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